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Analysis of student loan funds at University of Colorado, considering relationship of demand to amount available, factors related to student demand for loan funds, specifications governing use of funds and relative use of different funds, comparison with other institutions, and suggested changes in program.

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4-085.

OIR-February, 1958

MEMORANDUM

TO: Dean Parish, Chairman, Committee on Student Loan Policies

FROM: J. Doi, Office of Institutional Research

SUBJECT: Analysis of Student Loan Funds

In accordance with your request, the Office of Institutional Research has prepared an analysis of loan funds available to students enrolled at the University of Colorado.

Scope of analysis and definition of terms

The primary purpose of this analysis is to assist the Student Loan Committee determine the amounts and kinds of student loans that should be made available.

Although this report occasionally comments on the administrative arrangements for student loans, it does not attempt to provide a comprehensive analysis of the adequacy or inadequacy of such arrangements. It should be recognized, however, that administrative arrangements are important determinants of the success of student loan programs. For example, loan programs tend to be only partially successful when an institution fails to obtain a definite agreement from the student on the conditions of the loan, or when it fails to develop in the student a clear-cut sense of responsibility, or when risks are not properly selected, or when the interest rate is inadequate. In short, a loan program should be administered on a sound business-like basis. At its best, a loan program is a character-building device as well as a method of assisting a student to finance his college education. Another characteristic of a successful loan program is the willingness of an institution to see a student through--that is, grant additional loans when needed.

The data used in this report were obtained from the records of the Business Office and from the University's report for the fiscal year ended

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June 30, 1957. In conformity with the University's financial report, the term "principal" as used in this analysis pertains to total funds available for student loans, including cash on hand, notes receivable and income from investments. The amounts shown in this analysis as available for loans do not include the original capital of endowed loan funds, of which the University has three. Only the earnings of the endowment are treated as available for student loans.

Mention should also be made of the exclusion of "tuition loans" from this analysis. In the University's financial report for the year ended June 30, 1957, "tuition loans" are included in the statement of student loan funds. The Office of Institutional Research has been advised by the Comptroller that this practice is to be discontinued in future reports. "Tuition loans" represent the amounts involved in the University's installment plan for payment of tuition, and should not be confused with student loan funds.

Relationship of demand to amount available

Table 1 shows the relationsip of loans to loan fund principal for the fiscal year 1956-57, for all units on the Boulder campus and

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Table 1.

Relationship of Notes Receivable to Total Loan Fund Principal, Fiscal year 1956-57 (Excluding Medical Student Loan Funds and Including School of Nursing and all others).

End of Month	Principal (Includes Notes outstanding and funds available for loans)	Notes Receivable (Amount out on Loan)	Notes Receivable as percent of Principal
July 1956	$ 133,895	$ 58,473	43.7
Aug. 1956		36,056	
Sept. 1956		35,393	
Oct. 1956		40,752	
Nov. 1956		39,833	
Dec. 1956	135,828	40,485	29.8
Jan. 1957		36,200	
Feb. 1957		49,544	
Mar. 1957		52,532	
Apr. 1957		53,664	
May 1957		51,619	
June 1957	140,308	49,612	35.4

Interpretation:

On July 31, 1956, the University had $133,895 available for loans to students on the Boulder campus and in the School of Nursing. At the end of the fiscal year (June 30, 1957) the amount of loan fund principal was $140,308.

At no period during the fiscal year 1956-57 was more than 45 percent of total amount available actually out on loan.

OIR-1/58 Table 2.

Relationship of Notes Receivable to Total Loan Fund Principal, Fiscal Year 1956-57, Designated for Medical School Students.

End of Month	Principal (Includes Notes Receivable and funds available for loans)	Notes Receivable (Amount out on Loan)	Notes Receivable as percent of Principal
July 1956	$ 67,783	35,184	51.9
Aug. 1956		34,474	
Sept. 1956		35,783	
Oct. 1956		36,193	
Nov. 1956		36,433	
Dec. 1956		37,250	
Jan. 1957		40,009	
Feb. 1957		40,184	
Mar. 1957		46,787	
Apr. 1957		47,507	
May 1957		47,899	
June 1957	72,420	49,151	67.9

for the School of Nursing. On July 31, 1956, the University of Colorado had $133,895 available for loans to students on the Boulder campus and in the School of Nursing. At the end of the fiscal year, the amount of loan fund principal was $140,300. The most significant observation to be made from the data in Table 1 is that at no period of the fiscal year was more than 45 per cent of the total available funds actually out on loan.

Table 2 shows similar data on the relationship of notes receivable to total loan fund principal designated for students in the Medical School. At the Medical School a higher proportion of available loan funds is out on loan, as compared to the Boulder campus.

On the basis of the data in Tables 1 and 2, it can be concluded that the amount of loan funds available is substantially greater than the current demand.

Factors related to student demand for loan funds

Among students of limited financial resources, the most sought after method of financing one's higher education is outright grants in the form of scholarships and fellowships. By comparison, borrowing from persons other than one's immediate relatives has not been a popular method of financing a college education. This is particularly true of women students to whom marriage may be a primary goal after, or even prior to, graduation from college and of students planning for service careers that provide a meager standard of living.

Student demand for loans, however, can be created. Where institutions have actively encouraged borrowing, there has generally been an increase in loan fund activity. It should also be noted that there is a nationwide movement to get more students to borrow as a means of financing their college education. Devereux C. Josephs of the President's Committee on Education Beyond the High School recently advocated the creation of a regional or national mechanism of supplying credit to students at low

interest and on flexible repayment terms. Massachusetts recently created a state agency authorized to lend money to students. Senator Lister Hill's "omnibus education bill" (Senate Bill 3187) provides for $40 million a year for five years for loans to college students. Also Senate Bill 3126, introduced by Senators Humphrey, McClellan, and Yarborough, calls for a $100 million loan fund to science students.

It is difficult to assess the immediate impact that the establishment of a national loan program would have on existing institutional loan programs. In both the Senate bills, the interest rates are substantially lower and the repayment provisions are more flexible than those generally required by existing institutional loan funds. If established, a national loan program, because of its more favorable provisions, may have a depressing effect on institutional loan fund activity. At the same time, it should be recognized that a federal loan program may result in stimulating institutional loan fund activity, by popularizing borrowing as a means for financing college educations.

The loan funds available at the University of Colorado have attached various specifications that should also be examined in assessing student demand for loans. It has been the experience of institutions of higher education that the various restrictions and terms imposed affect the use of loan funds. Table 3 presents a summary of specifications governing the use of loan funds available to students on the Boulder campus and in the School of Nursing. It is to be noted that 18 of the 28 funds listed are restricted by either sex, school, or academic level of the applicant. A number of loans have two or more restrictions.

Approximately 27 per cent of the $140,308 available for loans on the Boulder campus and the School of Nursing is restricted by sex. About 31 percent of the funds is restricted to students majoring in a specified subject field.

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Table 3. STUDENT LOAN FUND SPECIFICATIONS

ACCT. #	LOAN FUND	SEX	SCHOOL	YEAR	AMOUNT	TIME	REASON	VARIOUS	INTEREST Before Mat. Date	INTEREST After Mat. Date	OTHER SPECIFICATIONS
5101	Allied Drug		Pharmacy	Jr. & Sr.	200.00	1 year			None	None	Loans over $100 must be approved by Spec. Committee Must be recommended by Loan Committee or Dean of Men or Women
5103	A. W. S.	W		Any after 1 Semester	200.00	1 year after Graduation			4%	6%	
5104	Vera Broxon				Unlimited	3 years after Graduation			None	None	
5106	D. A. R.				200.00				No co-signer 4%	6%	
5107	Chi Psi Mothers	M			100.00	1 year	Emergency		4%	6%	
5109	Fleming		Law	Any after 1 Semester	200.00	1 year			4%	6%	
5110	Heiderstadt				200.00	1 year	World War II Veteran		4%	6%	
5111	Hellems		A & S		200.00	1 year			4%	6%	
5112	Herrick			Under-graduate	200.00	5 years*	No tobacco or liquor		4%	6%	
5113	Jewish Home for Aged				200.00	1 Year			4%	6%	
5115	Kellogg Nursing		Pre-Nursing		School of Nursing Rules				2½%	2½%	Must be guaranteed by Property Holder
5117	McKenna				200.00	1 year Renewable			3%	6%	
5119	Phi Gamma Delta Mothers				30.00	1 year			4%	6%	
5121	Rosenbaum		Law Preferred		200.00	1 year			4%	6%	
5124	Sigma Tau		Engr.	Sr.	200.00	1 year			No co-signer 4%	6%	
5125	Silver and Gold				30.00	6 mos.	Emergencies		4%	6%	
5127	Toepelman	W		Jr.	200.00	1 year			4%	6%	
5129	University Women's	W			Small	1 year	Emergencies		4%	6%	
5131	School of Nursing		Nursing		School of Nursing Rules				2½%	2½%	
5135	Heaton		Geology		200.00	1 year			4%	6%	
5137	C. C. Ayer				200.00	1 year			4%	6%	
5138	Arthur C. Cross-Graduate	Grad.			200.00	1 year			4%	6%	
5140	University Consolidated				200.00	1 year			4%	6%	
5141	Engr. Consolidated				200.00	1 year			4%	6%	
5102	American Legion Auxiliary	Veterans of descendants			200.00	1 year			4%	6%	
5143	Engr. Alumni Loan		Ch. Engr.	Jr. & Sr.		3 years after Graduation			(Graduated interest)		
5144	Louis A. Connelly		El. Engr.	Jr.Sr. or Grad.	No restrictions				4%	6%	
5142	Hesperia	W		Jr.	150.00	2 years			4%	6%	

*Time Limit: 5 years after graduation or leaving school. No compulsion to be used in collecting.

In the case of certain loan funds, a subject-field restriction also implies restriction as to sex. For example, when loan funds are restricted to the School of Nursing, one would not ordinarily expect male students to be among applicants. Similarly, one would not ordinarily expect women students to be among applicants for loan funds available only to students in the School of Engineering.

Table 4 shows, for each loan fund, the amount outstanding as notes on June 30, 1957. Column 5 shows the maximum (expressed as percentage of principal) out in notes during any period of 1956-57. Only five funds had as much as 75 per cent of its principal out on loan during any period of the fiscal year. Thirteen of the twenty-eight funds, representing 10 per cent of the total amount available, were never used during the fiscal year 1956-57.

No generalization can be made as to why some funds were used more heavily than others and why some funds were never used during the past fiscal year. The following observations can be made:

a. The principal of 7 of the 13 funds which were not used during the fiscal year 1956-57 was less than $600. The tendency of the student loan administrators is to avoid the use of small funds when loans from larger funds can be made.

b. Funds which were used rather heavily, those in which more than 75 per cent of the principal was out on loan during any end-of-the-month period of 1956-57, were available either to a large number of students or contained some special provision that made them especially attractive. For example, the Allied Drug and the Vera Broxon loan funds require no payment of interest. The D.A.R., Vera Broxon, Engineering Consolidated, and Hellems fund is restricted to Arts and Science students and the Engineering Consolidated to Engineering students, but in both cases the number of students who might qualify

OIR-1/58 Table 4. **Percentage of Each Fund Actually in Use as of Specified Fiscal Period during Fiscal Year 1956-57**

(1) Student Loan Funds	(2) Principal as of June 30, 1957	(3) Notes	(4) % Notes is of Principal as of June 30, 1957	(5) Maximum (expressed as %) out in Notes during any period of Fiscal Year, 1956-57.
Allied Drug	$ 713.69	$ 605.00	84.8	84.8 (June)
American Legion Auxiliary	2,140.37	425.00	19.9	53.2 (Dec.)
A. W. S.	11,371.04	3,676.00	32.3	45.2 (July)
Ayer, C. C.	139.33	-	-	-
Broxon, Vera	2,525.00	2,275.00	90.0	90.0 (June)
Chi Psi Mothers	3,275.83	800.00	24.4	29.8 (May)
Connelly, Louis A.	1,550.00	-	-	-
Cross, Arthur C.	553.14	-	-	-
D. A. R.	1,108.83	957.00	86.3	86.3 (June)
Engr. Alumni Loan	2,017.45	-	-	-
Engr. Consolidated	6,280.34	4,286.27	68.2	133.9 (Mar.)
Fleming	523.86	-	-	-
Heaton	642.87	200.00	31.1	31.1 (June)
Heiderstadt	422.32	-	-	-
Hellems	14,283.62	9,568.00	67.0	75.1 (May)
Herrick	5,503.98	310.00	5.6	8.2 (July)
Hesperia	161.00	-	-	-
Jewish Home For Aged	92.78	-	-	-
Kellogg Nursing	3,701.12	-	-	-
McKenna	3,404.39	-	-	-
Phi Gamma Delta	552.99	-	-	-
Rosenbaum	1,767.86	575.00	32.5	38.2 (Mar.)
School of Nursing	17,609.93	3,937.50	22.4	26.9 (July)
Sigma Tau	365.50	35.00	9.6	9.7 (Feb.)
Silver and Gold	4,553.89	463.50	10.2	10.2 (June)
Toepleman	699.87	-	-	-
University Consolidated	53,512.45	21,497.86	40.2	41.2 Apr.)
University Women's	834.33	-	-	-
	$140,307.78	$ 49,611.13		

is fairly substantial. It is to be noted that the Engineering Alumni and the Louis A. Connelly funds, which saw no activity during 1956-57, are each restricted to students in a single department of the School of Engineering. The Herrick fund, with a principal of approximately $5500, experienced very little activity, probably because of its unusual provision that the recipient of the loan be a person who abstains from the use of tobacco and liquor. A provision of this kind is difficult to administer.

c. The simplest explanation for the non-use or very limited use of certain loan funds is that there is no/student demand for loans, or only a very limited, For example, the School of Nursing appears to have more funds then it can currently use. Table 5 shows that the School of Nursing has by far the highest amount of funds available per qualified student. The interest rate on loan funds for students in the School of Nursing is substantially lower than for most of the other funds and the provisions for repayment are fairly flexible.

Comparisons with other institutions

W. R. Bokelman, in a 1954 survey of student loan funds in 100 institutions of higher education, reported 30 schools had less than $10 per student available in loan funds, 42 had from $10 to $30, and 28 had more than $28 per student. In the fall of 1957, the University of Colorado had approximately $13 per student available for loans, excluding the Medical School. One of Bokelman's findings was that it is/at schools where the most money is available that the demand is the greatest and that the schools having the greatest amount of money are making the largest loans.

In approximately one-half of the 100 institutions included in Bokelman's survey, the maximum amount that may be borrowed by a student in one academic year was $250 or more. In 15 institutions the maximum was $500 or more. In

OIR-1/58 Table 5. **Amounts Available per Qualified Student When Restrictions as to Subject Field Are Applied**

Student Loan Funds Classified by Subject-Field Restriction	Principal as of June 30, 1957	% Notes is of Principal as of June 30, 1957	Amount Available Per Qualified Student *
Law:			
Fleming	$ 523.86	-	
Rosenbaum	1,767.86	32.5	
Total	2,291.72	25.1	$ 15.08
Engineering:			
Engr. Consolidated	6,280.34	68.2	2.46
Sigma Tau-Sr.	365.50	9.6	.73
Electrical Engr.:			
Connelly, Louis A. (Jr., Sr., or Grad.)	1,550.00	-	5.34
Chemical Engr.:			
Engr. Alumni (Jr. and Sr.)	2,017.45	-	23.73
Pharmacy:			
Allied Drug (Jr. and Sr.)	713.69	84.8	3.86
Geology:			
Heaton	642.87	31.1	1.71
Nursing:			
School of Nursing	17,609.93	22.4	
Kellogg Nursing	3,701.12	-	
	21,311.05	18.5	47.15
Arts and Sciences:			
Hellems	14,283.62	67.0	2.22
Non-Restricted as to Subject Field:			
American Legion Auxiliary	2,140.37	19.9	
A. W. S.	11,371.04	32.3	
Ayer, C. C.	139.33	-	
Broxon, Vera	2,525.00	90.0	
Chi Psi Mothers	3,275.83	24.4	
Cross, Arthur C.	553.14	-	
D. A. R.	1,108.83	86.3	
Heiderstadt	422.32	-	
Herrick	5,503.98	5.6	
Hesperia	161.00	-	
Jewish Home for Aged	92.78	-	
McKenna	3,404.39	-	
Phi Gamma Delta Mothers	552.99	-	
Silver and Gold	4,553.89	10.2	
Toepelman	699.87	-	
University Consolidated	53,512.45	40.2	
University Women's	834.33	-	
	90,851.54	33.5	8.78 **

* Number of students reported by Admissions Office as enrolled in given department or school.

** This figure was derived by dividing total amount available for loans by total enrollment for Fall 1957. It should be noted, however, that not all students would qualify for the $90,851 available because of restrictions other than subject-field specifications.

54 institutions the maximum sum that may be borrowed by one student over a number of years was $500 or more. In 10 institutions the maximum was more than $1000, going as high as $2500. Of the 100 institutions, 94 charged interest on student loans, in 27 cases as much as 6 to 7 per cent.

The point on which the University of Colorado differs most from the modal practice of these 100 institutions of higher education is in the maximum amount that may be borrowed by a student. The current maximum at the University of Colorado is $200. In the majority of the loan funds, the borrower is required to repay in one year's time.

Some suggested changes in University loan programs

On the basis of this analysis, it is suggested that the Student Loan Fund Committee give consideration to the following changes in loan fund arrangements:

A. that donors of funds, which because of certain restrictions are going unused, be asked to change the conditions of the gift so that the funds will be available to a larger number of qualified applicants.

B. that funds having less than $1000 in principal be consolidated. This has already been done with a number of funds, but further consolidation appears to be advisable.

C. that the maximum amount that may be borrowed by one student be increased substantially beyond its present level. A study made in 1953-54 indicated that the average University of Colorado student expended approximately $1500 per academic year ($1460 for men, $1394 for women) not including tuition and fees. With the present ceiling of $200 for any one student, it would not be possible for the University to see a student through any substantial portion of his academic career.

D. that more loan funds of the type that permit repayment after graduation be made available.

Although this study does not purport to evaluate the present administrative arrangements for the granting and processing of student loans, the following general observation might be made.

Student loans should be an integral part of the total institutional program of student aid. In a well administered and coordinated student aid program, the institution attempts to determine who should be given what form of aid and how much of each kind. For example, for students lacking a mature sense of responsibility and self-reliance, a generous scholarship grant may do more harm than good. For such students a small grant, accompanied by a part-time job, preferably related to their educational objectives, or a loan, may help develop the needed sense of responsibility and self-reliance, and at the same time will provide recognition of superior scholarship or academic promise. Whether a particular student should be provided with part-time employment or encouraged to apply for a loan depends upon a number of factors, such as academic standing, educational objectives, total financial needs, etc. But it is within a coordinated student aid program that loans are most likely to serve as an educative device as well as a means for meeting the financial needs of the student.

Under the present administrative setup at the University of Colorado, student loans are only incidentally coordinated with student employment and scholarships. The reorganization plan for the Division of Student Services, however, provides for all three forms of student aid to be coordinated under a single office. When this new arrangement is put into effect, student loans are likely to play a more significant role than presently in assisting students to finance their college education. This is especially likely to be the case if the University should actively encourage qualified students in need of financial assistance to seek loans.